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The Director of Central Intelligence
Washington, D.C. 20505

NIC No. 06383-84
8 November 1984

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: George Kolt
National Intelligence Officer for Europe

SUBJECT: Avoidable US-Belgium Frictions

1. Ambassador Swaebe has told me that you intend to raise with Sec Def the complex of issues that he discussed with you. To support you in that discussion I have summarized the Ambassador's main points (paragraph 2), prepared a short commentary on them after discussion with [redacted] officers (paragraph 3) and suggested a possible US approach (paragraph 4).

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2. Ambassador Swaebe feels that poor US handling of some issues that is endangering continued Belgium support for INF deployments:

- The Pegard Case: Working through Foreign Minister Tindemans, the US prevailed on the Belgian government not to approve the sale of the Pegard machine to the USSR; as part of the deal the US would pay the Belgian government \$700,000 and the Belgian government would contribute \$500,000 to buy the machine from Pegard for the use of the Belgian armed forces. However, the US has handled the repayment in such a clumsy way that Belgium is, in effect, getting back money which it had on deposit here.
- The Pegard Case 2: The Pegard company, which is in receivership now has plans to sell five other, less sensitive machines to the Soviet Union and the US is

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objecting to that sale. This is not a burning issue since delivery would not take place for at least a year and therefore should not be transformed into another cause celebre which might undermine INF deployments. In any case, it is doubtful that the receiver would sell the machines at the currently agreed price because Pegard would be losing money on them.

- The Libyan Nuclear Issue: Prime Minister Martens had no intention of selling the equipment to Libya, but wanted to handle the issue in a lowkey way by postponing the decision indefinitely.

the US government to ask for a Belgian guarantee that it would not sell the equipment -- a guarantee which would make the government look as though it was caving into US pressure on yet another issue. It would be better to let Martens handle the issue and he would do so to our satisfaction.

- INF Deployment: The government would like to handle this in a lowkey way as well, with only an inner-cabinet council fully aware that full deployment would be completed early this Spring. The US has complicated the strategy somewhat by reneging, at Congressional directive, on giving Belgium a 60 million dollar contract to build necessary housing. Congress has ordered that the 30 million dollars of material for the housing be purchased in the US.

- The Belgian Election: The election should be held this March, but it is possible to postpone it if all governing parties agree to this postponement -- a postponement which both Tindemans and we desire since a March election would coincide with INF deployments. However, the clumsy US handling of other issues is leading to tensions within the governing coalition and, if the US persists in putting pressure on Belgium, may result in lack of agreement to postpone the elections.

Foreign Minister Tindemans' current visit to the US has given him desired visibility at the side of US leaders. By mutual agreement contentious issues were not discussed. Instead they were left for Prime Minister Martens' visit in January.

3. I have discussed the issues raised by the Ambassador with the analysts and we all agree with the thrust of the Ambassador's remarks. We also believe that the Libyan nuclear issue is of concern to the US while the Pegard case is a needless irritant. In

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your meeting with the Secretary of Defense, you may want simply to set the stage for the Ambassador-Sec Def meeting by noting that we believe:

- There are divisions in the Belgian cabinet on the issues in contention with us.
- Martens is handling them in a drawn out way so as to postpone decisions (a typical Belgian way of handling controversial issues).
- We must keep in mind our INF priorities and the consequent desirability of not undercutting our major supporters in the government, Martens and Tindemans, by pressuring them too much on other issues.

4. If you wish to go further you could suggest that:

- It would be best to postpone contentious issues until Martens' visit in January
- The Ambassador should be instructed to notify Martens of this decision but simultaneously tell him of our continued concern over the Libyan nuclear issue
- In the intervening period the US should work our position while making a maximum effort not to let its disagreements with Belgium leak to the press.


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FROM : NIO for EUROPE

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